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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
TOM FORESE, CHAIRMAN
BOB BURNS
BOYD DUNN
DOUG LITTLE
ANDY TOBIN

IN THE MATTER OF THE APPLICATION OF ARIZONA PUBLIC SERVICE COMPANY FOR A HEARING TO DETERMINE THE FAIR VALUE OF THE UTILITY PROPERTY OF THE COMPANY FOR RATEMAKING PURPOSES, TO FIX A JUST AND REASONABLE RATE OF RETURN THEREON, TO APPROVE RATE SCHEDULES DESIGNED TO DEVELOP SUCH RETURN.	DOCKET # E-01345A-16-0036 **INTERVENOR WARREN WOODWARD'S REBUTTAL TESTIMONY IN OPPOSITION TO THE SETTLEMENT AGREEMENT**
IN THE MATTER OF FUEL AND PURCHASED POWER PROCUREMENT AUDITS FOR ARIZONA PUBLIC SERVICE COMPANY	DOCKET # E-01345A-16-0123

Warren Woodward, Intervenor in the above proceeding, hereby submits his Rebuttal Testimony in Opposition to the Settlement Agreement.

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I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND ADDRESS.

A. Warren Woodward, 200 Sierra Road, Sedona, Arizona 86336.

Q. ARE YOU THE SAME WARREN WOODWARD WHO PREVIOUSLY SUBMITTED TESTIMONY IN THESE DOCKETS?

A. Yes.

II. SUMMARY OF REBUTTAL TESTIMONY

Q. PLEASE SUMMARIZE YOUR REBUTTAL TESTIMONY.

A. My rebuttal testimony will show in detail that Intervenors, and Arizona Corporation Commission ("ACC") Staff, who filed in support of the Settlement Agreement resorted to sophistries, spin and outright falsehoods in their attempts to justify the unjust Settlement Agreement and to legitimize the very flawed process that led to the Settlement Agreement, the so-called Settlement discussion meetings.

III. REBUTTAL TESTIMONY

III.A ACC Staff's sophistries, spin and outright falsehoods

Q. What are the sophistries, spin and outright falsehoods present in the testimony of ACC Staff?

A. Examples are legion. One of the themes running through ACC Staff's testimony in support of the Settlement Agreement is that the Settlement process was "open," "transparent," "inclusive," and that participants were given every opportunity to be

"heard."

Testifying for ACC Staff, Elijah Abinah stated:

> The settlement process was open, transparent and inclusive.
> (p. 2, line 18)
>
> … each party had the opportunity to raise and have its issues considered multiple times during the course of the negotiations.
> (p. 4, lines 20 & 21)
>
> … I must re-emphasize that all parties had multiple opportunities to be heard and to have their issues fairly considered. Most interveners expressed their views on several occasions for consideration by all parties.
> (p. 5, lines 7 – 9)
>
> I would like to reiterate that the settlement discussions were transparent, candid, professional and open to all parties in this docket. All parties were allowed to openly express their views and opinions on all issues.
> (p. 21, lines 11 – 13)

The Settlement discussions were "open to all parties in this docket" except when they were not. I know of at least one instance whereby a secret, private meeting was held between the ACC's Elijah Abinah, APS's Barabara Lockwood & RUCO's Jordy Fuentes. On Friday, February 10, 2017, a half hour break became one hour and 50 minutes. When Intevenors reconvened after the half hour break, it became obvious to everyone what was going on when all were present except those three. Via email, I confronted Mr. Abinah about the secret meeting. As can be seen in his response (Exhibit A), he skirted the issue by talking about other, legitimate meetings instead of actually addressing the secret meeting in question. He neither acknowledged the secret meeting nor denied it. He just talked about other meetings. Note that I have redacted a few lines in the email

exchange that might be considered in violation the Settlement non-disclosure agreement, but those have no bearing on the secret meeting in question.

Thus, the meetings were not "transparent" as Abinah claimed. Also, "transparency" in government has come to mean open to the public and the media. The Settlement discussions, by forbidding the presence of either, were the exact opposite. I was not the only Intervenor to characterize the meetings as a "backroom deal."

As for being "inclusive," yes, the meetings (except of course the secret ones) were inclusive in that all Intervernors were welcome, but what good is inclusion if one is included but then ignored?

The same is true for being "allowed to openly express … views" and being "heard." For as many times as I was "heard," I was ignored. Meeting after meeting I would raise points and, more importantly, provide evidence in support of those points, but I was met with silence. I was not the only Intervenor to experience that. Additionally, just because an issue has been "heard" does not mean that it has been deliberated upon in evidentiary fashion. In others words, being "allowed to openly express … views" does not equal due process. Being "heard" does not equal due process.

Abinah stated:

> … each party had the opportunity to raise and have its issues considered multiple times during the course of the negotiations.
> (p. 4, lines 21 & 22)

A delusive word game is being played in the above statement. The question is not

whether there was an opportunity to raise issues and have them considered, but whether the opportunity to consider the raised issues was actually taken. With the issues I raised, that opportunity was repeatedly *not* taken.

In response to the question, "Would you summarize the reasons that lead Staff to conclude that the Agreement is fair, balanced, and in the public interest?" (p. 18, lines 9 & 10), Abinah engaged in faulty, deceptive reasoning. To wit, the following bullet point answers:

- An average 4.54 percent bill impact for residential customers compared to an average 7.96 percent bill impact for residential customers in APS's original application;
  (p. 18, lines 17 & 18)

- New updated rate designs with rate options for all customers;
  (p. 19, line 7)

- A program to expand access to utility owned rooftop solar for low and moderate income Arizonans, Tide I Schools, and rural governments;
  (p. 19, lines 3 & 4)

Just because a bill impact is about one half of what APS wanted does not mean it is "fair, balanced, and in the public interest." Only an evidentiary process – something the Settlement discussions were not – can determine that.

"New updated rate designs with rate options for all customers" sounds fantastic but the rate designs and options referred to fail to be "fair, balanced, and in the public interest" upon examination. Again, only an evidentiary process – something the Settlement discussions were not – can determine whether the proposed rates are "fair,

balanced, and in the public interest." Three facts of course show that the rates are not. 1) The Basic Service Charges are discriminatory, 2) Lumping four bill line items together does not foster transparency, and 3) After a certain date not "all customers" will in fact have options.

Re Point Number 1: The Basic Service Charge ("BSC") is comprised of the following current APS bill line items: Customer Account Charge, Metering, Meter Reading, and Billing. Those costs are the same for all customers regardless of how much electricity a customer uses. For example, the cost to issue a bill to a customer is the same regardless of the amount of electricity that customer uses or what rate plan the customer has. Assigning different BSCs, then, to different rates is discriminatory and in violation of A.R.S. § 40-334.A & B.

> **A.R.S. § 40-334.A & B** – Discrimination between persons, localities or classes of service as to rates, charges, service or facilities prohibited
> A. **A public service corporation shall not, as to rates, charges**, service, facilities or in any other respect, **make or grant any preference or advantage to any person** or subject any person to any prejudice or disadvantage.
> B. **No public service corporation shall establish or maintain any unreasonable difference as to rates, charges,** service, facilities or in any other respect, either between localities or **between classes of service.** (emphasis added)

Re Point Number 2: Lumping four bill line items into one makes a customer's bill less transparent. I suspect there are three reasons APS wants to do this: 1) To be able to manipulate the BSC amount as a social engineering tool (as is being attempted in this

rate case) to reward or punish customers for choosing certain rate plans. 2) To hide the fact that people still have a meter reading charge when no one is needed to read their "smart" meter, and 3) To try to deflect a common criticism customers have which is the amount of line items on the bill that add up to as much or more than their actual electricity consumed. No switch from specific line items to a BSC as proposed in the Settlement Agreement should be allowed. Customers must have non-discriminatory, transparent billing. Fixed pass-through costs must be spread equally among all customers, not used as a carrot or stick.

Re Point Number 3: The injustice of removing rate options from customers is addressed in detail in my previously filed Testimony in Opposition to the Settlement Agreement (at its Section III.E). Suffice it to say here that Abinah's "rate options for all customers" will simply not be true after May 1, 2018 should the Settlement Agreement be approved. Abinah knows that full well and so has been intentionally misleading in his testimony.

Additionally, use of the word "updated" to describe the proposed unjust and discriminatory rates is nothing but spin, and a variation on the propaganda term, "modernized," used throughout this rate case by APS and other boosters of APS's rate increasing rate designs such as ConservAmerica, the Arizona Investment Council ("AIC"), the International Brotherhood of Electrical Workers ("IBEW"), and the Residential Utility Consumer Office ("RUCO").

The "program to expand access to utility owned rooftop solar for low and moderate income Arizonans, Tide I Schools, and rural governments," or AZ Sun II, has also been misrepresented by Abinah. AZ Sun II is actually expanded access *for APS* to basically rent someone's property for an APS-owned solar installation, and have all customers pay for it. It is a $10 to $15 million per year cross subsidy from all ratepayers to APS, solar installers and the select few customers who will get a bill credit for renting APS space for APS's solar installation. In other words, it is discriminatory and definitely *not* in the public interest, but in APS's interest, the interest of a few beneficiaries of the bill credits, and the interest of the third party solar companies (and their suppliers) who get the installation jobs.

III.B RUCO's sophistries, spin and outright falsehoods

Q. What are the sophistries, spin and outright falsehoods present in the testimony of RUCO?

A. Like those of ACC Staff, they are legion. RUCO got off to a bad start in its testimony by misrepresenting the Settlement discussions. Testifying on behalf of RUCO, David Tenney stated:

> The negotiations were conducted in a fair and reasonable way that allowed each party the opportunity to participate and all parties were allowed to express their positions fully.
> (p. 2, lines 20 -22)

"Expressing positions fully" does not equal evidentiary due process, and does not, therefore, equal "fair & reasonable." As well, and as pointed out previously, while each

party *did* have the opportunity to participate, such an opportunity is meaningless if the participating party is ignored.

Tenney also tried to legitimize the Settlement Agreement by stating:

> ... it should be noted that approximately 30 of the 40 or so intervenors have signed on to the Agreement.
> (p. 3, lines 14 – 16)

Actually what should be noted is what I wrote in my Testimony in Opposition to the Settlement Agreement:

> Saying the Settlement Agreement has the support of a majority of Intervenors creates a false facade of democracy since Intervenors in attendance are not there to deliberate on all the issues but only to advocate for their own. A majority of Intervenors in support of the Settlement Agreement is meaningless because there may be many Intervenors advocating a position but only one Intervenor representing the other side. Similarly, there may be many Intervenors involved in one particular issue but only one Intervenor advocating on another, different issue. That other, completely different issue will not be a factor in the majority's decision to support or oppose Settlement since those majority Intervenors are paid only to concern themselves with their issue, naught else. In other words, the deck is stacked.
> (p. 53)

In response to the question, "In summary, what are the more significant benefits to the residential consumer?" (p. 4, lines 2 & 3), Tenney provided a series of faulty, deceptively reasoned bullet points. Tenney answered:

> - The Company agreed to a non-fuel, non-depreciation revenue requirement increase of $87.25 million which is greater than a 40% reduction from the Company's original ask.
> (p. 4, lines 4 – 7)

The question is not the size of the reduction from APS's original ask but if the original

ask was valid. RUCO has failed residential customers by not asking and answering the right question.

- A Return on Equity of 10 percent was agreed upon when APS had requested 10.5 percent in its original application filing. (p. 4, lines 8 & 9)

Again, the question is not the size of the reduction but if APS's original ask was valid. RUCO has failed residential customers by not asking and answering the right question.

- The residential customer's average monthly bill will increase 4.54 percent as compared to the Company's initial request of 7.96 percent. (p. 4, lines 10 & 11)

Again, the question is not the size of the reduction from APS's original ask but if the original ask was valid. RUCO has failed residential customers by not asking and answering the right question.

- Significant progress was made on **modernizing** rates .... (p. 5, line 1, emphasis added)

It is both sad and telling that RUCO, which is supposed to be an advocate for residential ratepayers, is employing the same propaganda term used by APS to hype rates that are not modern. TOU and Demand have been around for decades. Nor are such rates just and reasonable when forced on customers as is called for in the Settlement.

- The Basic Service Charges ("BSC") on Time of Use ("TOU") rates and demand based rates are being lowered from the current $17 to $13 and $10 for the Extra Small rate, rather than the requested $18. (p. 5, lines 4 – 6)

Again, the question is not the size of the reduction from APS's original ask but if the

original ask was valid. RUCO has failed residential customers by not asking and answering the right question. It is also shocking that the supposed residential ratepayer advocate would promote illegal discrimination between classes of service. Fixed pass-through costs must be the same for all. No discrimination.

In answering the question "Can you elaborate on some specific provisions that are important to RUCO and further support the Settlement in this rate case?" (p. 7, lines 19 & 20), Tenney gave a response that is despicable for its condescension, elitism and sophistry. It reflects a rogue agency completely out of touch with those whom it is supposed to represent.

Instead of advocating for $5 million of over-collected DSM money to be returned to customers, Tenney lauded wasting it on an APS program "to help customers with programs and education to help control their energy bills." (p. 7, lines 22 & 23) As a result of APS's program, Tenney claimed that "Customers will have the tools and education to adequately control their bills." (p. 8, lines 1 & 2) Tenney wrote, "This is extremely important as the trend moves towards more modernized rates," (pp. 7 & 8., lines 23 – 1) What "trend" is that? It must be the one Tenney and APS are pushing because clearly *no* residential ratepayers have advocated for *any* so-called "modernized" rates. Just the opposite in fact, ratepayer comments to these dockets indicate ratepayers want the status quo. Tenney would be aware of that fact if he bothered to read customer comments in the dockets, took any surveys of residential ratepayers, or just had the

sense to realize that there are currently 480,000 APS customers on the Standard rate and that, if he truly wanted to represent residential ratepayers, he would advocate on their behalf instead of throwing them under the bus via punitive BSC increases. The truth is that RUCO is oblivious of its own constituency. The truth is that RUCO is the one that needs "educating." Tenney revealed his condescension towards his constituency by assuming they need an "education to help control their energy bills." Again, had he read these dockets, Tenney would know that customers – especially those who can least afford the unjust rate increases for which RUCO is advocating – know how to turn off their lights, set their thermostats and "control their energy bills." What those customers cannot control is a built-in rate increase of the sort Tenney is advocating via his support for the Settlement Agreement's proposed massive BSC increases. In short, "educating" customers to "control their energy bills" is a ruse to gift APS with an undeserved $5 million.

Tenney whined that:

> There is a narrative being used in the media and during some of the public comment sessions that BSC's have increased 87%. This narrative requires those to use selective facts, as this is only the case for a minority of customers. Customers staying on a traditional two-part rate are choosing to stay on an antiquated rate that sends no time or seasonal price signals, which provides no incentive for these customers to help control costs for all rate payers. The real facts on the BSC is that for approximately 450,000 existing customers on TOU rates and the 120,000 existing customers on a demand based rate, the BSC is being reduced from the $17 to $13. (p. 8, lines 7 – 16)

Spinning away, here Tenney used not "selective facts" but non-facts. The fact is that the

480,000 thousand customers currently on what Tenney condescendingly referred to as an "antiquated" Standard rate are *not* the minority of customers but the majority. Anyone who learned basic math knows 480,000 is greater than either 450,000 or 120,000. If Tenney was attempting to add the TOU customers with the Demand customers to cobble together a majority then he is not being honest since the two are apples and oranges. Furthermore, "price signals" is just an elitist social engineer's euphemism for financial punishment. Tenney, instead of listening to what his constituency wants, thinks he knows best, and obviously has no problem using (financial) force to gain compliance with his wishes. What a pity for residential customers that there is no citizen oversight of rogue RUCO.

What a pity for "the most financially vulnerable." Tenney wrote:

> … approximately 250,000 customers qualify for the Residential – Extra Small rate that has a BSC of $10. Many of the most financially vulnerable will be eligible for this rate and will receive only a minimal increase. (p. 8, lines 21 – 23)

Are "the most financially vulnerable" supposed to be grateful for that? What Tenney did *not* explain is why they should have any increase at all. And what is "minimal?" To people who've not seen a COLA increase in years, "minimal" can be over-the-top. Tenney, the recipient of a cushy patronage job, is awfully cavalier. That attitude – plus dishonesty – was on display again when Tenney wrote that:

> In total, over 80% of customers receive either a decrease or only a small increase, much different than what is being portrayed through the media and in public.

(pp. 8 & 9, lines 23 – 3)

Of course Tenney's spin is "much different than what is being portrayed through the media and in public" because it is very doubtful that anyone else would be so dishonest as to lump decreases together with increases as though they are the same thing! And again, what exactly is a "small increase?" What may be small to Tenney could bust the bank of someone living on $800 a month.

In sum, RUCO's testimony in support of the Settlement Agreement must be dismissed in its entirety for being nothing more than dishonest propaganda from an agency that does *not* represent residential utility customers.

Contrast Tenney's out of touch, consistently anti-ratepayer positions with those of the City of Sedona. Rate case Intervenor City of Sedona recently held two public meetings, one on March 29, 2017 and the other on April 11, 2017, to determine what residents wanted and how the City should respond to the Settlement. As a result of those meetings and emails received, the City Council unanimously determined that it would take a position against all the "smart" meter related proposals in the Settlement Agreement. The City listened to those it represents. RUCO does not listen to anyone. RUCO represents no one but RUCO.

III.C ConservAmerica's sophistries, spin and outright falsehoods

Q. What are the sophistries, spin and outright falsehoods present in the testimony of ConservAmerica?

A. ConservAmerica's are similar to those of ACC Staff and RUCO. Testifying for ConservAmerica, Paul Walker started his testimony with a falsehood:

> All parties were invited to the settlement meetings, and numerous parties chose to participate.
> (p. 1. lines 24 & 25)

As I pointed out previously, there was at least one meeting to which "all parties" were definitely *not* invited, that being the Friday, February 10, 2017 meeting between ACC's Elijah Abinah, APS's Barbara Lockwood and RUCO's Jordy Fuentes.

Singing from the same song sheet as ACC Staff, Walker stated:

> I do not believe anyone could say their viewpoint was not heard by all parties in the settlement room.
> (p. 2, lines 6 & 7)

As I pointed out previously, just because a viewpoint has been "heard" does not mean that it has been deliberated upon in evidentiary fashion. In others words, being "heard" does not equal due process.

In an attempt to justify the Settlement Agreement as being in the public interest, Walker used faulty, deceptive reasoning. To wit:

> A good test of the public interest is whether parties with divergent interests support the out come – in this case the parties in support come from many different perspectives.
> (p. 2, lines 12 & 13)

If the Settlement Agreement was truly in the public interest there would not be an overwhelming number of public comments posted to the docket and made at ACC Public Comment meetings *against* the fee increases that the Settlement Agreement

proposes. Indeed, I have not seen or heard any public comments anywhere in support of the Settlement Agreement. The Settlement Agreement is in the interest *of the parties that signed it*, not the public.

Attempting to put a happy face on forcing new APS customers into mandatory TOU rates after May 1, 2018, Walker stated:

> If approved, future customers will have to at least try either a Time-of-Use plan or a Demand Charge plan, if they wind up unhappy, they can go back to the 1980's rate design after a few months.
> (pp. 2 – 3, lines 26 -2)

What if they wind up not just unhappy but broke, will they get their money back for having been forced into a failed social engineering scheme that could devastate them financially? Will Walker or any of the other signatories to the Settlement Agreement be there with monetary assistance?

Lauding the AZ Sun II proposal of the Settlement Agreement, Walker stated:

> … the settlement provides for social equity in the provision of solar power. For too long, low and moderate income households have been forced to pay taxes and subsidies to support the expansion of rooftop solar-while themselves having zero chance to participate.
> (p. 3, lines 8 to 11)

AZ SUN II does *not* 'provide for social equity.' AZ Sun II is discriminatory in that it does not help *all* "low and moderate income households." AZ Sun II helps only a very select few while at the same time burdening *all* "low and moderate income households" (and everyone else) with the 10 to $15M per year cost of the program.

Like the ACC Staff, Walker completely misrepresented AZ Sun II. To wit:

> The settlement before the Commission includes AZ Sun II - which will provide at least $10 million a year for rooftop solar directed to low-to-moderate income households and communities.
> (p. 3, lines 19 – 24)

Under AZ Sun II, solar is *not* "directed to low-to-moderate income households and communities;" solar is directed to APS, the owner of said solar. What is "directed to low-to-moderate income households and communities" are APS bill credits given in return for APS's rental of program participants' roofs. Worse, the whole program – the solar and the bill credits – would be subsidized by *all* APS ratepayers. In short, AZ Sun II is a greenwashing scam whereby APS gets to look green and "sustainable" by taking *our green* (money) to buy solar and rent some space to put it.

Walker definitively had a hard time telling the truth about AZ Sun II. About the program's funding, Walker stated:

> **It is funded by APS.** APS will be eligible to recover the reasonable and prudent costs of the program through the Renewable Energy Adjustment Clause until the next rate case (Section 28.2), and in the next rate case, APS may request to include the rooftop solar systems into rate base (Section 28.2(b)). The program size is between $10 million and $15 million per year.
> (pp. 11 &12, lines 25 to 3, emphasis added)

So, AZ Sun II is *not* funded by APS; it is funded by ratepayers.

Throughout Walker's testimony, Walker seemed to be promoting AZ Sun II in order to advance what he refers to as "social equity." If Walker was truly concerned about "social equity" then he would not be advocating taking money from all in order to give to APS and the select few who will benefit from AZ Sun II. If truly concerned about

"social equity," then ConservAmerica can buy solar for those whom they think deserve it instead of forcing everyone else to buy it. Similarly, if Walker was truly worried about the subsidies to solar that he decried throughout his testimony, then the socially equitable solution would be to work towards ending those subsidies rather than creating another massive one, one that really is not even a subsidy to solar but to APS.

Walker is another Settlement Agreement booster to use the "modernized rate design" propaganda ploy. To wit:

> **Q. So a modernized rate design using time-of-use and demand rates will reduce the long-run need for more generation and transmission?**
> A. That's precisely what will occur.
> (p. 10, lines 1 – 3)

Actually, that's not "precisely what will occur." As I detailed and proved using published studies in my direct testimony filed in this docket last December 21, there are many dreadful consequences to both Demand and TOU rates for customers to whom the rates are not suited. Additionally, reducing "the long-run need for more generation and transmission" is a ruse. Referencing the annual reports of APS parent Pinnacle West, James D. Downing testified in this docket on April 3, 2017 (on behalf of Electrical District Number Eight and McMullen Valley Water Conservation and Drainage District) that:

- Since 2008 the peak demand on APS' system actually decreased from 7,277 megawatts ("MW ") to 7,031 MW.
- The Company's annual retail sales decreased from over 29,000 gigawatt hours (Gwh) to less than 27,000 Gwh.
  (p. 7, lines 18 – 21)

Despite a growing population since 2008 and a subsequent increase in APS customers as a result, those reductions were achieved without "rate design modernization."

III.D AURA's sophistries, spin and outright falsehoods

Q. What are the sophistries, spin and outright falsehoods present in the testimony of the Arizona Utility Ratepayer Alliance?

A. They are the usual, similar if not the same as ACC Staff's, RUCO's and ConservAmerica's.

Testifying on behalf of the Arizona Utility Ratepayer Alliance ("AURA"), Pat Quinn asserted that the Settlement Agreement negotiating process was "fair and proper" because:

> The negotiations were conducted in a fair and reasonable way that allowed each party **the opportunity to participate**. All interveners had an **opportunity to participate** in every step of the negotiation.
> (p. 2, lines 10 -12, emphasis added)

and because:

> All parties were allowed to express their positions fully.
> (p. 2, line 16)

Quinn has presented a non sequitur argument. Just because Intervenors had an opportunity to participate (except of course in the secret meetings) and express positions does not mean that the Settlement negotiating process was "fair and proper." If positions are ignored as they were in the negotiations, if evidence is ignored as it was in the negotiations, then due process has been skirted and the outcome of the negotiations will

be flawed – as this Settlement Agreement is flawed.

Answering "Why is a negotiated settlement process an appropriate way to resolve this matter?" (p. 3, lines 1 & 2), Quinn continued trying to justify the flawed Settlement with more sophistry. To wit:

> By its very nature, a settlement finds **middle ground** that parties can support. The parties that participated in the settlement talks were generally **sophisticated parties who were well seasoned** in the Commission's regulatory processes and veterans of the negotiating table. The fact that so many parties representing such varied interests were able to come together to reach **consensus** illustrates the **balance, moderation, and compromise** of the document.
> (p. 3, lines 3 – 12, emphasis added)

"Middle ground" has nothing to do with "just and reasonable." "Well seasoned," "sophisticated parties" has nothing to do with "just and reasonable," and is obviously quite a self-serving, subjective evaluation anyway. "Consensus," "balance, moderation, and compromise" have nothing to do with "just and reasonable." None of Quinn's descriptions have anything to do with evidence based findings. Quinn's descriptions are irrelevancies. Actually, the Settlement process is a completely *inappropriate* way to resolve rate cases because the process has so many inherent flaws.

Like David Tenny of RUCO, Quinn spent most of page 5 of his testimony asserting that the proposed increases to the various proposed Basic Service Charges are satisfactory because the increases are less than those for which APS had originally asked. Of course just because the increases are less does not mean the increases are just and reasonable. It only means they are less.

Quinn boasted that "... the Settlement Agreement now provides sufficient choices for residential customers." (p. 5, line 22) But then, just a few sentences later, Quinn unwittingly admitted how little choice residential customers will actually have after May 1, 2018. To wit:

> A new customer qualifying after May of 2018 must go on a TOU or some other rate design for 90 days, but can then choose to go to R-Basic. There is also an R-Large rate that current customers can stay on until the next rate case. New customers must choose another rate.
> (p. 6, lines 7 – 10)

It should be noted here that the so-called Arizona Ratepayer Utility Alliance is really an "alliance" of one, that being Pat Quinn. Note that at the AURA website, the "Team" consists of one person, that being Pat Quinn (see http://www.ratepayeralliance.org/team). AURA is *not* what it proclaims to be at its website: "The Voice of Arizona Energy Users." AURA is the voice of Pat Quinn, and possibly the Energy Foundation that funded him (again, see http://www.ratepayeralliance.org/). It is dishonest of Quinn to present himself as representing Arizona's energy users. He certainly does not represent me or anyone I know. That such dishonesty can be parlayed into a seat at the negotiating table as an Intervenor reveals another major flaw in the Settlement system.

III.E AIC's sophistries, spin and outright falsehoods

Q. What are the sophistries, spin and outright falsehoods present in the testimony of the Arizona Investment Council?

A. Testifying for the Arizona Investment Council ("AIC"), Gary Yaquinto asserted that the Settlement discussions were "open, transparent and fair to all parties" because "All parties were provided notice of meetings to discuss the possibility of settlement and afforded ample opportunity to participate in the discussions." (p. 2, lines 19 – 21) **1)** I was never provided with a notice of the meeting Barbara Lockwood, Elijah Abinah and Jordy Fuentes had on Friday, February 10, 2017. **2)** I don't know how meetings to which the media are banned can be considered "transparent." **3)** Having "ample opportunity to participate in the discussions" was meaningless in my case (and others') because my "discussion" was more like a monologue since my issues were not discussed, they were ignored. In short, "ample opportunity to participate in the discussions" does not equate to "fair to all parties."

Yaquinto asserted that:

> Because the Settlement Agreement was reached through a give-and-take consensus process, AIC believes that the outcome is balanced and produces a more efficient resolution compared to one accomplished through a fully litigated proceeding. Credit rating agencies also look favorably on Settlement Agreements reached in rate proceedings because settlement often results in a more expedient and creative resolution of issues that balance the positions of diverse parties, including provisions that are credit supportive.
> (pp. 2 & 3, lines 28 – 7)

The question is not whether the Settlement Agreement is "balanced" (whatever that means) or "efficient," but whether the Settlement Agreement is just and reasonable. And APS's credit rating has nothing to do with that. Additionally, "consensus" has nothing to

do with facts or evidence, and so has nothing to do with the Settlement being just and reasonable. Such a consensus system that Yaquinto praised avoids due process and can only arrive at a just and reasonable outcome by luck. In this case, luck did not favor the outcome.

Answering the question, "What provisions of the Settlement Agreement are of particular importance to AIC?" (p. 3, lines 13 & 14), Yaquinto replied:

> There are a number of provisions contained in the Settlement Agreement that will enhance and support the financial health of APS.
> (p. 3, lines 15 & 16)

A rate case is not about 'enhancing' the financial health of a monopoly service, but what is just & reasonable for it and its customers. Pinnacle West's stock price has more than doubled in the last 6 years. APS does not need financial enhancement. Unwittingly then, Yaquinto supplied a reason *not* to support the Settlement Agreement.

Yaquinto stated that:

> Residential demand rates better align residential electric rates with the cost of service, provide improved cost signals to customers to promote economic use of electricity, and allow customers more options to reduce monthly bills through behavior modification or energy management technology. Providing customers with additional demand rates options will hopefully increase the subscription level of these rates, thereby helping to influence downward peak demand and continue APS's progress towards rate modernization.
> (p. 7, lines 17 – 23)

"Modernization" again. Actually, for many residential customers, Demand rates act like a fixed fee. There is nothing "modern" about that. As *Charge Without a Cause*, a paper I

quoted in my direct testimony of last December 21, found:

> Demand charges do not offer actionable price signals to small consumers without investment in demand control technologies or very challenging household routine changes. This results in effectively adding another mandatory fixed fee to residential and small consumer electric bills.

III.F EFCA's sophistries, spin and outright falsehoods

Q. What are the sophistries, spin and outright falsehoods present in the testimony of the Energy Freedom Coalition of America?

A. Testifying on behalf of the Energy Freedom Coalition of America ("EFCA"), James A. Heidell stated that:

> … in the long-term all but the small load residential customers and new solar customers will be on either demand, or time-of-use ("TOU") rates. The settlement preserves customer choice, offers rates that provide incentives to efficiently use electricity, and provides a reasonable opportunity for APS to recover its costs.
> (p. 2, lines 5 – 9)

That's blatant double talk. The Settlement does *not* preserve customer choice precisely because as Heidell wrote, "in the long-term all but the small load residential customers and new solar customers will be on either demand, or time-of-use ("TOU") rates."

Falsely, Heidell claimed:

> The settlement does not unduly increase the monthly customer charge for standard service customers ….
> (p. 2, lines 10 & 11)

Of course it does! The proposed R-XS rate would see a 15% increase, the proposed R-Basic rate a 73% increase, and the proposed R-Large rate a whopping 131% increase.

Heidell maintained that:

> The transition to TOU rates is reasonable as TOU rates provide price signals about the time of day when electricity costs are higher, allowing customers to make informed and efficient decisions about their electricity consumption patters.
> (p. 4, lines 13 – 16)

The transition to TOU rates proposed in the Settlement Agreement is most definitely *not* reasonable because it is based on force, not on the voluntary choice of customers. Besides, I have already proved at section III.E of my Testimony in Opposition to the Settlement Agreement that mandatory TOU rates are none of the glorious and wonderful things that Heidell claims.

III.G Other Intervenors' sophistries, spin and outright falsehoods

Q. What are the sophistries, spin and outright falsehoods present in the testimony of some of the other Intervenors who filed in support of the Settlement Agreement?

A. Testifying on behalf of the International Brotherhood of Electrical Workers Locals ("IBEW"), G. David Vandever stated:

> The Agreement benefits APS customers and employees in many ways. First, it **modernizes** [Again!] an archaic, economically inefficient, ineffective, and unfair pricing structure. The Agreement allows for new updated rate designs with rate options for all customers and eliminates the misalignment of rates and costs.
> (p. 4, lines 4 – 8, emphasis added)

That's quite a polemic from Vandever, but it amounts to nothing more than hot air since, in his entire 2 page long testimony, Vandever offers no substantiation for any of his wild

claims.

Testifying on behalf of Wal-Mart Stores, Inc. and Sam's West, Inc., Chris Hendrix stated:

> The Settlement is the just and reasonable outcome of extensive arms-length negotiations conducted in good faith between the parties in this docket. Additionally, the settlement process greatly aids in administrative efficiency, which can reduce costs to all parties and ratepayers.
> (p. 2, lines 2 – 5)

So, avoiding due process is OK if it "aids in administrative efficiency, which can reduce costs to all parties and ratepayers avoiding due process?" Nuts! Like the IBEW, Hendrix is another Intervenor offering nothing but empty assertions since, in his 2 page long testimony, he offered no substantiation as to why the Settlement is "just and reasonable."

Testifying on behalf of the Federal Executive Agencies, Amanda M. Alderson stated:

> Based on the entire settlement, consisting of a revenue requirement, revenue spread and cost of service, **I believe that the settlement is just and reasonable because it provides fair consideration to the Company to fully recover its cost of service** while receiving fair compensation, while creating no more than a reasonable burden on customers to achieve this full cost recovery.
> (p. 4, lines 4 – 8, emphasis added)

But APS's cost of service is not justified! I proved in my Testimony in Opposition to the Settlement Agreement that APS is running a rate base inflating scam of epic proportions with its so-called "smart" grid (see section III.D). As well, and based on the annual reports of APS parent Pinnacle West, James D. Downing testified in this docket on April

3, 2017 (on behalf of Electrical District Number Eight and McMullen Valley Water Conservation and Drainage District) that:

> … despite decreasing demand being placed on APS's system by its customers, we see that between 2004 and 2015:
>
> - Depreciated plant *nearly doubled* from $6.3 Billion to nearly $12 Billion.
> - Depreciated plant per MW sales *nearly doubled* from $247/MW to $422/MW.
> - Total retail revenue per megawatt hour of sales *increased* from $77 to $117.
> - Depreciated plant growth per kilowatt ("kW ") demand has *increased* from $I,000/ kW to 1,680/ kw.
> - New capital expenditures each year have grown from $667 Million per year to well over $1 Billion per year.
> - Net income has grown from $32/kW of peak demand to $64/kW of peak demand.
>
> (pp. 7 & 8, lines 22 – 9, emphasis in original)

IV. CONCLUSION

Q. DO YOU HAVE ANY CONCLUDING REMARKS?

A. Yes. For all the reasons expressed herein as well as in my Testimony in Opposition to the Settlement Agreement, the Settlement Agreement in this rate case is fraud. Its proposals are not evidence based but are based on sophistries, spin and outright falsehoods. The Settlement process itself is irreparably flawed and must be abandoned altogether.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

RESPECTFULLY SUBMITTED this 17th day of April, 2017.

By 

Warren Woodward
200 Sierra Road
Sedona, Arizona 86336

Original and 13 copies of the foregoing hand delivered on this 17th day of April, 2017 to:

Arizona Corporation Commission
Docket Control
1200 W. Washington St.
Phoenix, Arizona 85007

Copies of the foregoing mailed/e-mailed this 17th day of April, 2017 to:

Docket Service List

EXHIBIT A

From: Elijah Abinah <EAbinah@azcc.gov>
To: Warren Woodward <w6345789@yahoo.com>
Cc: Terri Ford <TFord@azcc.gov>
Sent: Thursday, February 16, 2017 3:31 PM
Subject: RE: Settlement meeting concerns

Mr. Woodward,

At the outset I would like to apologize for keeping the parties waiting at various times during the settlement conference last Friday. Some of the delay was due to unscheduled meetings I had with various Commissioner's advisors on issues relating to the National Association of Regulatory Utility Commissioners, which is unrelated to the APS rate case.

There were several other meetings that took place with a smaller subset of the parties in this case, but as you may recall I announced these meetings were occurring and invited any interested parties to participate, including yourself. The issues that were discussed were not of interest to all of the parties that intervened in this case, but the meeting was certainly open to anyone that wanted to be part of it. Those meetings did take longer than anticipated, and in retrospect, I probably should have adjourned the overall meeting, and for that I do apologize. The parties in attendance included, the solar group EFCA, Vote Solar, SEIA and Ariseia, RUCO and APS.

Regarding RUCO, I will say that RUCO was created by the legislature in Arizona Revised Statute 40-462 to represent residential utility consumers in proceedings before the Commission, and are allowed to intervene in cases such as this one. That being said, they are not granted a status above any other party, and I stand by my statement that everyone participating in this process is equal and has a seat at the table.

Again, I am sorry you feel disrespected due to the delays that occurred on Friday, and for any inconvenience it caused. As I indicated previously, you are certainly free to participate in any of these meetings. For any future meetings, to the extent there is a need to address more narrow issues that are not of concern to all the parties, I will ask the parties what their preference is regarding the overall settlement meeting, as I do appreciate that everyone's time is valuable.

[redacted] I was in a meeting with a Commissioner's advisor on issues unrelated to the APS's rate case. I hope this is helpful. If you need to discuss this further, please feel free to contact me directly at (602) 542-6935. Thank you, and I hope you have a wonderful weekend.

Best Regards,

Mr. Abinah

From: Warren Woodward [mailto:w6345789@yahoo.com]
Sent: Wednesday, February 15, 2017 11:10 AM
To: Elijah Abinah <EAbinah@azcc.gov>
Subject: Settlement meeting concerns

Mr. Ebinah,

For a couple of reasons I was dismayed last Friday when I learned that the reason a half hour break took an hour and 50 minutes was because you were in a private huddle with Ms. Lockwood and Mr. Fuentes.

These settlement discussions are already non-transparent backroom deals. The fact that there are backroom deals occurring *within* the backroom deal is most unseemly. How many more have there been? Is that why all the breaks seem to last longer than announced?

Of all the parties in the room, why is RUCO chosen for not only a privileged spot at the table but also a privileged spot in secret negotiations?

[redacted] RUCO, the supposed ratepayer advocate, has shown itself to be completely out of touch with ratepayers. Indeed, I'll bet $5,000 that not 1 in 100 ratepayers even know what RUCO is. Has RUCO taken any surveys to determine what ratepayers want? No. So why is this rogue agency granted a status above any other parties in the room?

There are no laws or rules saying RUCO is a privileged party. There is thus no reason for RUCO to hold a privileged position at either the table or in any negotiations.

Mr. Ebinah, you said we were *all* "major players." Since RUCO is privileged, I guess some are more major than others.

Also, it is disrespectful to all parties for them to be kept waiting indefinitely because of a private pow-wow. People have scheduled time for these meetings. That involves foregoing other productive concerns. In other words, private pow-wows waste our time. Perhaps for some the waiting equals billable hours, but I know of at least one intervenor who left in disgust. In my own case, I drive 2 hours each way. I do not appreciate the endless waiting. Private meetings, if they must occur, should be scheduled for outside the time of our meeting.

Sincerely, and in hope for future meetings in which all intervenors are respected and truly "major,"

Warren Woodward

PS – [redacted] As James Brown said, *Reality don't never lie.*